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**PATENT APPLICATION TRANSMITTAL LETTER**  
(Small Entity)

Docket No.  
YUN-13402/03

TO THE ASSISTANT COMMISSIONER FOR PATENTS

Submitted herewith for filing under 35 U.S.C. 111 and 37 C.F.R. 1.53 is the patent application of:

Henry C. Yuen

For: **INTERNET-BASED AUCTION METHOD**

Enclosed are:

- ☒ Certificate of Mailing with Express Mail Mailing Label No. **EK59766861505**
- ☒ **One (1) informal** sheets of drawings.
- ☐ A certified copy of a \_\_\_\_\_ application.
- ☒ Declaration ☐ Signed. ☒ Unsigned.
- ☐ Power of Attorney
- ☐ Information Disclosure Statement
- ☐ Preliminary Amendment
- ☒ **One (unsigned)** Verified Statement(s) to Establish Small Entity Status Under 37 C.F.R. 1.9 and 1.27.
- ☐ Other:

U.S. PRO  
09/607606  
06/30/00

**CLAIMS AS FILED**

For	#Filed	#Allowed	#Extra	Rate	Fee
<b>Total Claims</b>	7	- 20 =	0	x \$9.00	\$0.00
<b>Indep. Claims</b>	2	- 3 =	0	x \$39.00	\$0.00
<b>Multiple Dependent Claims (check if applicable)</b> <input type="checkbox"/>					\$0.00
<b>BASIC FEE</b>					\$345.00
<b>TOTAL FILING FEE</b>					\$345.00

- ☐ A check in the amount of \_\_\_\_\_ to cover the filing fee is enclosed.
- ☒ The Commissioner is hereby authorized to charge and credit Deposit Account No. **07-1180** as described below. A duplicate copy of this sheet is enclosed.
  - ☒ Charge the amount of **\$345.00** as filing fee.
  - ☒ Credit any overpayment.
  - ☒ Charge any additional filing fees required under 37 C.F.R. 1.16 and 1.17.
  - ☐ Charge the issue fee set in 37 C.F.R. 1.18 at the mailing of the Notice of Allowance, pursuant to 37 C.F.R. 1.311(b).

Dated: **June 30, 2000**

*[Handwritten Signature]*

Signature

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cc:

## INTERNET-BASED AUCTION METHOD

### Reference to Related Application

This application claims priority from U.S. provisional application Serial No. 60/142,128, filed July 2, 1999, the entire contents of which are incorporated herein by reference.

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### Field of the Invention

The present invention relates generally to a method and system for purchasing goods and services. More particularly, the present invention relates to a method and system that locate and purchase goods or services at an optimal price.

### Background of the Invention

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The use of the Internet and World Wide Web are becoming increasingly popular for commercial transactions. There are a number of ideas, including patented inventions, which are directed to the idea of buying and selling goods and services over the Internet. In particular, there are now a number of websites that facilitate Internet shopping.

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In general, there are three methods for conducting commercial transactions over the Internet: auction-based, lowest price searching, and offers to purchase.

The first method, auction-based, generally comprises a website used to arbitrate bids and generate sales through a competitive offers from multiple prospective purchasers. An example of an auction-based website may be found at [www.ebay.com](http://www.ebay.com).

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use of this method forecloses the possibility of obtaining a more favorable price through an auction process.

The offer to purchase method restricts the purchaser to one source of items, thus excluding sources that might accept a lower offer from the purchaser. Also, a purchaser using this method does not necessarily have knowledge of posted advertised prices from other sources, and thus submits an offer higher in price than the price advertised by the other sources.

What is needed therefore is a method and system for purchasing goods and services via the Internet, wherein the purchaser obtains pricing information for an item from a broad selection of vendors offering that item; determines a lowest price from the obtained pricing information, and negotiates a final purchase price lower than the lowest price obtained in the pricing information, thus gaining the ability to purchase the item at the lowest price possible in a broad market scheme.

#### Summary of the Invention

The present invention overcomes the deficiencies noted in the current art, and provides a method and system that spans a global market of sources for a particular item to determine a lowest price in that market. Broadly, according to the invention, the technique is used to solicit a purchase amount from the purchaser where the amount is lower than the lowest market price from the purchaser. In the preferred embodiment, the purchase amount is used to seed a bidding process among a pool of vendors, enabling a purchaser to purchase the item from the vendor submitting the lowest bid. Thus, the

In one embodiment, the process utilizes the Internet to conduct the reverse auction in two phases. In the first phase, the reverse auction process obtains the prices of like items from multiple sources, and determines a single, lowest price from obtained prices.

10           The purchaser views one or more pages on the reverse auction web site containing information regarding the reverse auction process. The purchaser then indicates to reverse auction web site server the item sought for purchase; e.g., the purchaser selects the item from a pull down menu containing a list of various items displayed on the web page.

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In the second phase, the reverse auction process solicits a starting bid from the purchaser, collects bids representing offers for sale from multiple vendors, and selects a bid containing the lowest purchase price offered by a vendor from the collection of bids.

Typically, after viewing the determined lowest price generated in phase one, the purchaser posts a starting bid to the reverse auction site, wherein the starting bid includes an offer to purchase at a price lower than the lowest price determined in the previous step.

The reverse auction site, its server, and its associated software utilize the starting bid to seed the bidding process among vendors. In doing so, the software solicits offers for sale of the item, via the Internet, from vendors of the item. The offers for sale must contain a price term where the amount is as low or lower than the starting bid. These offers for sale (hereafter, reverse bids), generate a competition to sell the item among the vendors, thus driving the purchase price of the item down below any price of a like item previously available to the purchaser from the global market.

Finally, the reverse auction process selects the reverse bid containing the lowest price offered for purchase of the item, and informs the purchaser of the same; e.g., displays the lowest reverse bid on a web page viewed by the purchaser. As a result, the reverse auction process produced an opportunity for the purchaser to purchase the item at a price lower than one obtained via an auction method, via a price search method, and via an offer by purchaser.

#### Brief Description of the Drawing

The present invention provides a method and system for location and purchase of an item at an optimal price for the purchaser. The system and method consist of two phases, wherein phase one generates a lowest posted price from a consideration of prices for a requested item, and phase two generates a sale price below the lowest posted price obtained in phase one.

## Phase One

Initially, the purchaser utilizes an input device such as a PC to access a web site associated with the reverse auction. While it is contemplated that the purchaser utilizes the PC to communicate with the reverse auction web site via the Internet, any input device may be used; e.g., WebTV, PDA, telephonic devices, etc. Further, any

communication link between the PC and the reverse auction web site will suffice; e.g., analog or digital communication lines, wireless communication paths, or IR. The reverse auction web site includes a server and any combination of hardware and software necessary to carry out the functions described herein.

5           Once communications are established with the reverse auction web site, the purchaser views one or more web pages associated with the reverse auction process. From one of the web pages, the purchaser enters a request containing a textual description of the item sought 4. Alternatively, the purchaser selects the item from a pull down menu displayed on the web page.

10           The server associated with the reverse auction web site receives the data pertaining to the requested item, and initiates a search for goods or services matching those set out in the request.

          Preferably, the server and its associated software utilize one or more search engines; i.e., a special-purpose software program that uses an algorithm to search an  
15   index of topics given a search argument. Generally, the search engine is designed so that its approach to searching the index can be changed to reflect new rules for finding and prioritizing matches in the index. The search engines locate web sites that offer the requested item for sale by utilizing a variety of search criteria. For example, the server might utilize Webcrawler to search for the requested item by name, Lycos to search all  
20   web sites advertising discounted merchandise, and Excite! to search electronic bulletin boards containing posted sales advertisements for the requested item.

The search engines traverse the Internet, capture information pertaining to the posted price for the requested item at each web site that advertises the requested item, and forward the information via the Internet to the server.

Once the server receives a predetermined number of posted prices from the various search engines, the server and its associated software determine a lowest posted price from the pool of posted prices. The server displays the lowest posted price on a web page viewed by the purchaser, thus completing phase one of the reverse auction process.

#### **Phase Two**

In the second phase of the reverse auction process, the method solicits a starting bid from the purchaser, induces a bidding competition among multiple vendors of the requested item, whereby the competition is seeded with a starting bid from the purchaser. After receiving the starting bid, each vendor submits a sale bid (hereinafter, reverse bid) at a price lower than the starting bid. In this manner, the competition among the vendors to consummate a sale with the purchaser drives the final sale price down below the lowest posted price determined in phase one and below the initial bid for purchase submitted by the purchaser.

To accomplish the foregoing, the purchaser formulates a starting bid for the requested item. The starting bid is derived from the lowest posted price provided to the purchaser in phase one; and, typically, consists of a price equal to or lower than the lowest posted bid.

The reverse auction web site server and its associated software contact a vendor audience to solicit bids for sale of the requested item. The vendor audience is formed according to a predetermined plan; e.g., various vendors contact the reverse auction company and list a web server capable of functioning as a reverse auction participant.

Upon collection of the reverse bids, the server determines a final bid from the collection, and displays the final bid to the purchaser via a web page. After viewing the final bid, the purchaser either rejects or accepts the final bid 14. If the purchaser rejects the final bid, the purchaser may either seed the bidding competition again by entering a new starting bid 10 or abandon the purchase. If the purchaser accepts the final bid, the reverse auction company facilitates the consummation of the sale via any number of methods, online or other, thus completing phase two.

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We therefore claim as our invention all modifications and equivalents to the embodiment coming within the scope and spirit of these claims.

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6 using the most favorable advertised price as a starting point, soliciting bids over  
the network to find a price for the goods or services which is lower than the most  
8 favorable advertised price.

2. The method of claim 1, wherein the network is the Internet.

4. The method of claim 1, wherein:

4           the price which is lower than the most favorable advertised price is obtained from  
a second set of multiple vendors.

obtaining a posted price associated with the goods or services over the Internet;

- 4 determining the lowest posted price of the posted prices obtained in the previous  
step;
- 6 submitting a starting bid over the Internet which is lower than the lowest posted  
price;
- 8 collecting one or more reverse bids over the Internet, wherein each reverse bid  
represents a price which is lower than the starting bid;
- 10 selecting a final bid from among the reverse bids; and  
purchasing the goods or services using the final bid.

6. The method of claim 5, wherein the step of conducting a search over the  
2 network includes the use of an existing search engine.

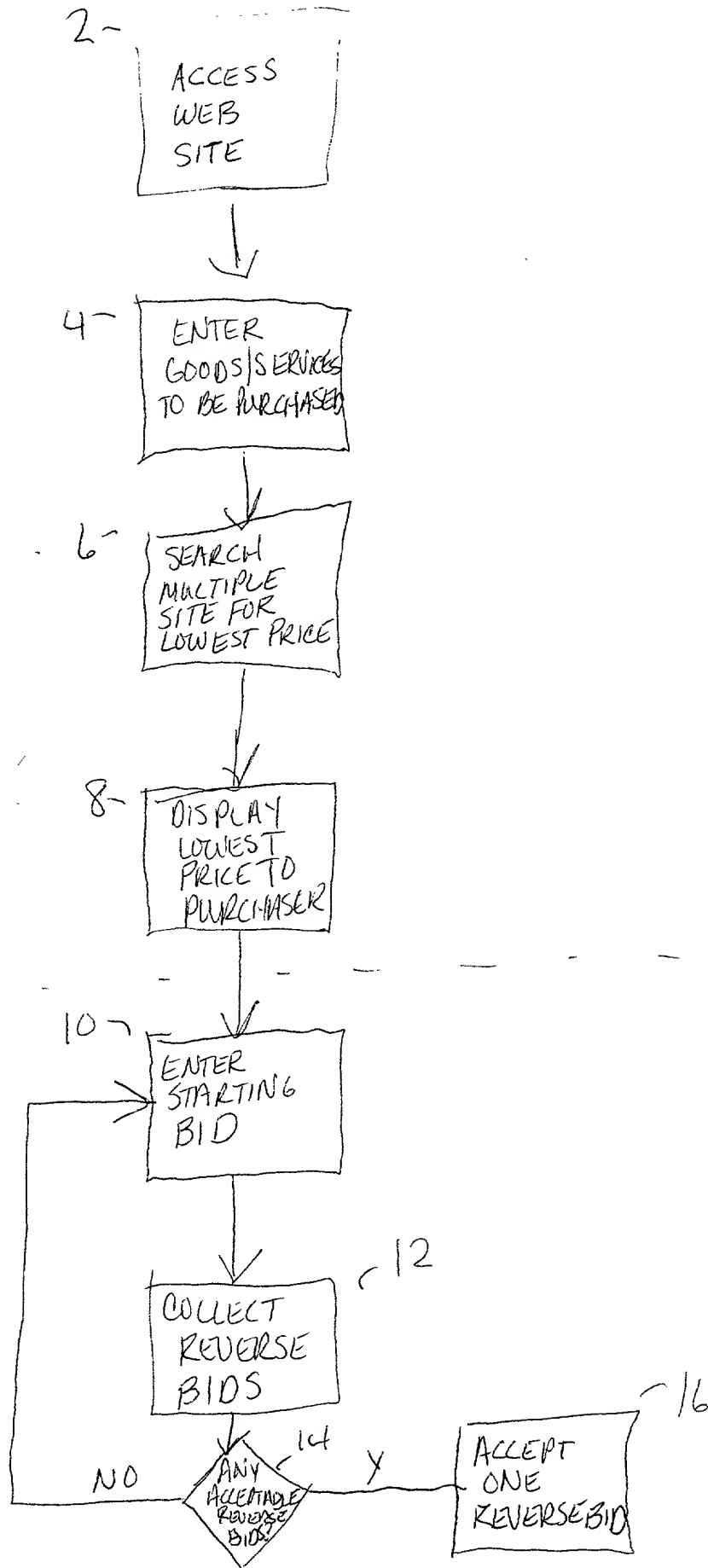
7. The method of claim 5, wherein:

2 the most favorable advertised price is obtained from a first set of multiple  
vendors; and

4 the price which is lower than the most favorable advertised price is obtained from  
a second set of multiple vendors.

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As the below named inventor, I hereby declare my residence, post office address and citizenship are as stated below next to my name; and I believe I am the original, first and sole inventor (if only one name is listed below) or an original, first and joint inventor (if plural names are listed below) of the subject matter which is claimed and for which a patent is sought on the invention entitled:

the specification of which

- ☐ is attached hereto.
- ☐ was filed on \_\_\_\_\_ as ☐ Serial No. 0 / \_\_\_\_\_  
or ☐ Express Mail No., *as Serial No. not yet known* \_\_\_\_\_  
\_\_\_\_\_ and was amended on \_\_\_\_\_ (*if applicable*).
- ☐ was described and claimed in PCT International Application No. \_\_\_\_\_  
\_\_\_\_\_ filed on \_\_\_\_\_ and as amended under PCT  
Article 19 on \_\_\_\_\_ (*if any*).

I hereby state that I have reviewed and understand the contents of the above identified specification, including the claims, as amended by any amendment referred to above. I acknowledge to the duty to disclose information which is material to patentability as defined in 37, Code of Federal Regulations, §1.56(a). I hereby claim foreign priority benefits under Title 35, United States Code, §119 of any foreign application(s) for patent or inventor's certificate listed below and have also identified below any foreign application on which priority is claimed:

## Priority Claimed

			Yes	No
			<input type="checkbox"/>	<input type="checkbox"/>
(Number)	(Country)	(Day/month/year filed)		
			<input type="checkbox"/>	<input type="checkbox"/>
(Number)	(Country)	(Day/month/year filed)		

I hereby claim the benefit under Title 35, United States Code, §120 of any United States application(s) listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States application in the manner provided by the first paragraph of Title 35, United States Code, §112, I acknowledge the duty to disclose material information as defined in Title 37, Code of Federal Regulations, §1.56(a) which occurred between the filing date of the prior application and the national or PCT international filing date of this application:

[illegible]

(App. Serial No.) (Filing date) (Status)  
(patented, pending, abandoned)

(App. Serial No.) (Filing date) (Status)  
(patented, pending, abandoned)

**CLAIM FOR BENEFIT OF PRIOR U.S. PROVISIONAL APPLICATION(S)**

I hereby claim the benefit under Title 35, United States Code, §119(e) of any United States provisional application(s) listed below:

PROVISIONAL APPLICATION NUMBER

FILING DATE

60/142,128

July 2, 1999

And I hereby appoint Ernest I. Gifford, Reg. No. 20,644; Allen M. Krass, Reg. No. 18,277; Irvin I. Groh, Reg. No. 17,505; Douglas W. Sprinkle, Reg. No. 27,394; Thomas E. Anderson, Reg. No. 31,318; Ronald W. Citkowski, Reg. No. 34,732; Judith M. Riley, Reg. No. 30,311; Douglas J. McEvoy, Reg. No. 34,385; Ellen S. Cogen, Reg. No. 38,109; Roberta J. Morris, Reg. No. 33,196; John G. Posa, Reg. No. 37,424; Douglas L. Wathen, Reg. No. 41,369; Avery N. Goldstein, Reg. No. 39,204; David R. Kurlandsky, Reg. No. 41,505; and Mark D. Schneider, Reg. No. 43,906 as my attorneys, to prosecute this application and to transact all business in the United States Patent and Trademark Office connected therewith. Send all correspondence to:

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I hereby declare that I qualify as an independent inventor as defined in 37 CFR 1.9(c) for purposes of paying reduced fees under Section 41(a) and (b) of Title 35, United States Code, to the Patent and Trademark Office with regard to the invention described in the specification. I have not assigned, granted, conveyed or licensed and am under no obligation under contract or law to assign, grant, convey or license, any rights in the invention to any person who could not be classified as an independent inventor under 37 CFR 1.9(c) if that person had made the invention, or to any concern which would not qualify as a small business concern under 37 CFR 1.9(d) or a non-profit organization under 37 CFR 1.9(e). Each person, concern or organization to which I have assigned, granted, conveyed, or licensed or am under an obligation under contract or law to assign, grant, convey, or license any rights in the invention is listed below:

- ☒ no such persons, concern, or organization  
☐ persons, concerns or organizations listed below

FULL NAME \_\_\_\_\_  
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☐ Individual ☐ Small Business Concern ☐ Non-Profit Organization

[illegible]

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